

we should have the foolish spectacle of a vessel carrying £100 abroad and another vessel passing it with £100 for England. The simplification effected by the bill of exchange is here prominent: FM² draws a bill or an order for the £100 on EM², FM buys the bill and sends it to EM, EM presents it for payment on maturity to EM², and EM² discharges it. In this case one bill has sufficed to complete the entire settlement without the dispatch of a pound or franc. (*See Note C*, p. 122.)

Now, if English merchants have imported or bought merchandise from abroad of a larger total value than that of the goods which have been exported or sold abroad, the aggregate debts for which the English merchants are liable exceed the sums due to them by the foreign firms. The exchange dealers accordingly possess bills drawn upon foreign merchants by English creditors of a *less* total value than the debts due abroad by other English merchants. The latter, accordingly, rather than incur the cost of sending gold in payment, compete for the purchase of the fewer bills upon foreign firms, and as a necessary result of competition the price paid for such bills increases; in other words, more sovereigns are given for a stated sum in francs than, in reversed circumstances, would be demanded. (*See Note D*, p. 122.)

It has been mentioned that on the basis of the quantity of pure gold £1 is worth about 25'22 francs; otherwise expressed, £1 paid in England should provide 25'22 (nearly 25J) francs in Paris; and as the consequence of this demand for the scanty number of bills on France, £1 may suffice to procure only 25'17 francs instead of the normal and exactly equivalent 25'2215; so that if a debt, in the assumed case, of 1000 francs had to be discharged in Paris the buyer of a bill, as a sum in proportion shows, would be compelled to give—not the sum of £39 13s., at the real equality of the coins (25'2215 francs per £1), but—the sum of £39 14s. 7*d.* at the preceding price of 25'17 francs per pound. And competition, according to the fewness of the foreign bills, may so advance that it would be as cheap (at about the exchange of £1 for

25-12J francs, when gold would tend to
leave England) to remit gold itself,